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MEMORANDUM

OFFICE OF THE CHIEF
JAN 18 1950

January 18, 1950

TO: OIR - Mr. Buford
IAD - Mr. Nordbeck ✓
IFI - Mr. Peter

FROM: DRE - Philip J. Conley *PJC*

SUBJECT: NSRB Paper on Intelligence for Economic Warfare

Document No. _____
Review of this document by CIA has
determined that
☒ CIA has no objection to declass
it contains information of CIA
interest that must remain
classified at TS S O
Authority: HR 70-2
☐ It contains nothing of CIA interest
Reviewer _____

25X1A9a On Monday, January 16, Mr. Peter and I had a conference with
25X1A9a [redacted] and Colonel Sam Clabaugh that covered a variety of
items relating to intelligence for economic warfare. Mr. Peter had
to leave for another meeting before the meeting was finished and I
25X1A9a carried on with [redacted] and Colonel Clabaugh for a considerable time.

CIA Spearheading Future Work on Economic Warfare

It seemed clear from the meeting that CIA is taking very seriously
its responsibility for coordinating the planning and the production of
intelligence for economic warfare. Colonel Clabaugh spends his full
time on the subject and is recruiting at least one P-7 assistant. They
expect that an interdepartmental committee will be set up to prepare a
planning paper. They feel that the R paper makes a worthy start for the
interdepartmental paper.

Functions of the Committee

25X1A9a Both [redacted] and Clabaugh were interested in our views as to whether
or not the committee recommended in the draft paper on intelligence for
economic warfare should remain solely in the planning field or whether
it should not also move into immediate coordination of work required to
support current economic warfare operations. Clabaugh pointed out that
we are already engaged in economic warfare using such instruments as export
controls, and other substantive projects aimed at supplying a basis for
future operations. They seemed to lean toward the idea that the committee
could be given two functions: one, to draft a paper for interdepartmental
acceptance and, the second, to undertake as an interim body only to guide
the preparation of those reports that must be immediately undertaken.
The second of these functions would, of course, be subject to complete
re-evaluation by the committee in its planning work, but it is conceivable
that the planning study might recommend as our paper did, that a committee
be set up to undertake the coordination of intelligence for economic
warfare and the membership of the new committee might well be the same

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persons that had prepared the interdepartmental planning paper and handled the interim coordination.

Interdepartmental Membership

It was easily agreed that the planning committee and the interim coordinating committee should have representations of the NSRB and the IAC agencies. Among the other agencies that would have to be considered are ECA, Commerce, Agriculture, Interior, Treasury and Justice. 25X1A9a [redacted] pointed out that CIA's security staff would not tolerate general membership of these non-IAC agencies in this work because sooner or later some consideration would be given to undercover operations. 25X1A9a [redacted] also claimed that the military would "close up" immediately if civilian agencies, excepting State and CIA, were present. He cited instances which I have heard him bring out before, in which sinkings of American ships during the last war were easily attributable to leaks from FEA personnel who knew of the sailing time of the ships through their purchasing or exporting activities. Two solutions to the membership problem were discussed: The first was that in each of the non-IAC agencies involved, a small group of persons be given clearance for Top Secret. The Department of Commerce, 25X1A9a [redacted] said, has already submitted to CIA the names of Assistant Secretary Blaisdell and three other persons for Top Secret clearance in matters relating to export controls. Another suggestion was that there be at least two kinds of committees, a general committee representing NSRB and the IAC agencies, and a group of special committees that would bring in representation of the agencies with particular interest in a given field of operations. Thus, Treasury would be brought in on a special committee devoted to alien property and Justice would come in on a committee relating to proclaimed listing. Colonel Clabaugh believed that such a distinction in committees would eventually cause more trouble than a single overall committee.

Representation within the Department of Defense

25X1A9a [redacted] and Clabaugh are concerned about proper representation of JCS and the Munitions Board which are important in determination of requirements. Again, two suggestions were discussed: one, to have two committees, one for requirements and one for capabilities or to coordinate work to meet the requirements. JCS and Munitions Board would have membership only on the committee concerned with requirements. The other suggestion was that JCS and the Munitions Board might each be represented by one of the military intelligence agencies. I pointed out to them that various parts of the Department of State could also be considered as eligible for a committee concerned with requirements but that I would hope that these requirements would be expressed through the representative from the R area.

Quality of Work of the Department of Commerce

25X1A9a [redacted] seems very disturbed by the quality of the work that is being turned out by the Department of Commerce on projects relating

to export controls. We discussed the fact that the people in Commerce are heavily burdened by the necessity of handling correspondence relating to trade promotion, that they have a natural tendency to view situations from the viewpoint of trade promotion, and that the number of economists in OIT may not be very large. One suggestion was that Commerce might set up an analytical shop which would be kept free to make special studies such as those needed for economic warfare and which would not be sucked into the general work of OIT. There are somewhat similar problems in respect to Agriculture and Interior. Although Interior seems less influenced by the broad mission of the Department, it does not have enough economists capable of doing the kind of work that [REDACTED] has in mind. 25X1A9a

Economic Intelligence Units

There was some discussion of the idea that each agency should have a small staff devoted to intelligence for economic warfare, or perhaps there should be somewhere a central unit either in the CIA, State, or the agency, if any, which may receive interim responsibilities for economic warfare operations as a whole. The central unit might be composed of a small number of high level analysts with time and ability to study the reports prepared by various agencies in order to give the committee a more coordinated appraisal and to make sure that the reports gradually fit into a cohesive whole and are fashioned to meet the specific needs of the committee.

Location of Economic Warfare Intelligence Unit

25X1A9a We did some speculation on the wartime set-up relating to economic intelligence. [REDACTED] Colonel Clabaugh and I agreed that if a separate unit like FEA is set up, it will insist upon having its own economic intelligence and it will be logical that the intelligence it needs be kept closely related to the operations people. [REDACTED] and Colonel Clabaugh anticipated that parts of the CIA and State and perhaps other agencies might be transferred to the new agency as a core around which the economic warfare intelligence unit could be built. Colonel Clabaugh was especially emphatic and insisted upon the point that planning should be such that there would be no sharp break in intelligence work for economic warfare at the time of an outbreak of actual hostilities. He emphasized heavily that we are now engaged in economic warfare and the problems might be changed considerably by the outbreak of actual hostilities, but basically remain the same. Therefore, a large part of any intelligence needed after the outbreak of hostilities should be already under way before that moment and should not be interrupted by organizational readjustments at that critical time. 25X1A9a

ORE, USSR Unit

25X1A9a [REDACTED] described the unit in ORE concerned with USSR as consisting of about 30 people now, with plans for 100. This unit is expected

to have all kinds of specialists on the USSR: economists, metallurgists, scientists, political scientists, historians, etc. It would be so complete that no other agency should have any need of setting up a USSR unit of any importance, and other agencies should be encouraged to rely on the CIA.

The Air Force and Economic Intelligence

Colonel Clabaugh talked of the tremendous staff that the Air Force has engaged on matters relating to strategic bombing. All three of us agreed that target material as such should be completely undisturbed in the air forces. However, there was some discussion of the desirability of a single intelligence program which would in its broad analyses satisfy both the needs of the air forces in determining its general strategic bombing objectives and the needs of the agency or agencies concerned with other aspects of economic warfare including sabotage and paramilitary operations. Colonel Clabaugh pointed out that in the last war the Ministry of Economic Warfare supplied the RAF with its selection of objectives from the point of view of economic importance. The RAF added the aspects of military operational intelligence (distribution of the enemy's defensive forces, weather, and so on) and an appraisal of its own capacities. Combining all these elements, the RAF selected the specific targets. In this country, the Air Forces carried on its independent appraisal of the objectives from the point of the enemy's economy and of course combined it with military operational intelligence and appraisal of its own capabilities.

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██████████ expressed the viewpoint that in the next war, behind the line operations would probably be much more important and on a much vaster scale than they were in the last war, and in any case it seemed essential that the strategic direction of the operations of the air force, the behind the line operations, and other aspects of economic warfare should be a coordinated one and should be based upon coordinated intelligence. The discussion was leading, I think, in the mind of the three present to the desirability of a single intelligence unit which would analyze the overall aspects of the enemy's economy and furnish them to the air forces as well as to other agencies involved. The air forces would, however, be left with the detailed work involved in the preparation of target folders. I expressed the view that the ideal might be a single agency but that practically it looked very difficult to me to divest the air forces of the organization it has built up to make overall analyses of the enemy's economic strength and weaknesses. There was no specific reference to the desirability of having at least two independent approaches to a problem so basic, so difficult and so complex as the appraisal of the enemy's capabilities and vulnerabilities

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